

**Copperton Improvement District**

**Basic Financial Statements and  
Report of Independent Certified Public Accountants**

**December 31, 2005**

## CONTENTS

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1
REQUIRED SUPPLEMENTARY INFORMATION MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
STATEMENTS OF NET ASSETS	9
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	10
STATEMENTS OF CASH FLOWS	11
NOTES TO THE BASIC FINANCIAL STATEMENTS	12
REPORTS ON COMPLIANCE AND INTERNAL CONTROL	
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	23
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON STATE LEGAL COMPLIANCE IN ACCORDANCE WITH <i>STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE</i>	24
BOND RESOLUTION COMPLIANCE SCHEDULES AND REPORTS	
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE WITH BOND RESOLUTION	26
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SCHEDULE OF NET REVENUES AND ANNUAL DEBT SERVICE	27
SCHEDULE OF NET REVENUES AND ANNUAL DEBT SERVICE	28
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SCHEDULE OF INSURANCE POLICIES IN FORCE	29
SCHEDULE OF INSURANCE POLICIES IN FORCE	30
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SCHEDULE OF WATER CONNECTIONS AND BILLINGS	31
SCHEDULE OF WATER CONNECTIONS AND BILLINGS	32
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SCHEDULE OF FUNDS REQUIRED BY BOND RESOLUTION	33
SCHEDULE OF FUNDS REQUIRED BY BOND RESOLUTION	34

# OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants

4527 SOUTH 2300 EAST, SUITE 201 • SALT LAKE CITY, UTAH 84117-4446 • PHONE: 308-0220 • FAX: 274-8589

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees  
Copperton Improvement District

We have audited the accompanying financial statements of Copperton Improvement District (the District) as of and for the years ended December 31, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Copperton Improvement District as of December 31, 2005 and 2004, and the changes in financial position and cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2006 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Osborne Robbins & Bahler PLLC*

June 1, 2006

**Copperton Improvement District  
Management's Discussion and Analysis (Unaudited)  
December 31, 2005**

---

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2005. Please read it in conjunction with the District's basic financial statements, which begin on page 9.

**FINANCIAL HIGHLIGHTS**

The District's net assets increased by \$64,528. The increase is primarily attributed to three factors. One factor is that the District budgets for the annual principal payment on its outstanding debt. The District charges customers for water usage at a rate adequate to cover the principal payment for cash flow purposes but the principal payment does not impact the Statement of Activities. The District paid principal of \$63,000 in 2005. The second factor is a 92% increase in interest income. Interest income increased because the District earned a higher rate on its investments. Also, the amount of cash invested by the District increased although it is restricted for construction and debt service. Interest income in 2005 was \$8,055 greater than the previous year. The third factor is the gain on sale of capital assets. The District sold much of its obsolete equipment in August of 2005. This resulted in a gain of \$14,579.

Revenues, including property taxes totaled \$294,859 for the fiscal year. This was an increase of \$25,140 from the previous year. The changes from the previous fiscal year are depicted by category as follows:

	2005	2004	Change
Water charges	\$218,441	\$219,818	\$ (1,377)
Property taxes	36,880	34,992	1,888
Interest income	16,809	8,754	8,055
Gain on sale of capital assets	14,579	-	14,579
Miscellaneous	8,150	6,155	1,995
	<u>\$294,859</u>	<u>\$269,719</u>	<u>\$ 25,140</u>

	2004	2003	Change
Water charges	\$219,818	\$226,495	\$ (6,677)
Property taxes	34,992	42,186	(7,194)
Interest income	8,754	8,647	107
Miscellaneous	6,155	5,398	757
	<u>\$269,719</u>	<u>\$282,726</u>	<u>\$ (13,007)</u>

Property taxes increased in the amount of \$1,888. This represents a 5% percent increase. This increase is attributable to an increase in the collection of delinquent property taxes.

Expenses decreased from the previous year. Operating expenses were \$198,050 in 2005 compared with \$ 200,704 in 2004. The major reduction was in wages and benefits, but this reduction was offset by a major increase in professional services. During 2005, the District decided to hire an independent contractor to provide maintenance and oversight for the water system. These services had previously been provided by a full-time employee. Repairs and maintenance decreased by \$5,286 from prior year. Fewer repairs were needed because of ongoing improvements to the water system.

The District's total long-term obligations decreased during 2005 by a net of \$63,000. The District has \$1,164,310 of outstanding water revenue bonds due serially through 2023 with interest rates ranging from 1.96% to 3.37%.

**Copperton Improvement District**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2005**

---

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements.

*The Statement of Net Assets* presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

*The Statement of Activities* presents information showing how the District's net assets changed during the year presented. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

*The Statement of Cash Flows* presents information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

**FINANCIAL ANALYSIS**

To begin our analysis, a summary of the District's Statement of Net Assets is presented in Table A-1.

Net assets may serve, over time, as a useful indicator of the District's financial position. As of December 31, 2005, the District's assets exceeded liabilities by \$993,700. 2004 net assets were \$929,172.

**TABLE A-1**  
**Condensed Statement of Net Assets**

	December 31, 2005	December 31, 2004	Change
Current and other assets	\$ 627,173	\$ 580,113	\$ 47,060
Capital assets	1,555,467	1,620,806	(65,339)
Total assets	2,182,640	2,200,919	(18,278)
Long-term obligations	1,100,310	1,164,310	(64,000)
Other liabilities	88,630	107,437	(18,807)
Total liabilities	1,188,940	1,271,747	(82,807)
Net assets invested in capital			
Assets, net of related debt	391,157	393,496	(2,339)
Net assets restricted for debt			
Service and replacement	156,400	118,621	37,779
Net assets unrestricted	446,143	417,055	29,088
Total net assets	\$ 993,700	\$ 929,172	\$ 64,528
	December 31, 2004	December 31, 2003	Change
Current and other assets	\$ 580,113	\$ 597,034	\$(16,921)
Capital assets	1,620,806	1,658,045	(37,239)
Total assets	2,200,919	2,255,079	(54,160)

**Copperton Improvement District**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2005**

Long-term obligations	1,164,310	1,227,310	(63,000)
Other liabilities	107,437	133,593	(26,156)
Total liabilities	<u>1,271,747</u>	<u>1,360,903</u>	<u>(89,156)</u>
Net assets invested in capital			
Assets, net of related debt	393,496	369,735	23,761
Net assets restricted for debt			
Service and replacement	118,621	43,087	75,534
Net assets unrestricted	417,055	481,354	(64,299)
Total net assets	<u>\$ 929,172</u>	<u>\$ 894,176</u>	<u>\$ 34,996</u>

**TABLE A-2**  
**Changes in Net Assets**

	Year Ended December 31, 2005	Year Ended December 31, 2004	Change
Operating revenues			
Water charges	<u>\$218,441</u>	<u>\$219,818</u>	<u>\$(1,377)</u>
Operating expenses			
Wages and benefits	34,351	72,401	(38,050)
Repairs and maintenance	5,161	10,447	(5,286)
Professional services	64,146	25,416	38,730
Utilities and telephone	17,261	13,591	3,670
Insurance	11,783	11,385	398
Supplies	2,789	2,867	(78)
Miscellaneous	3,189	2,909	280
Depreciation and amortization	<u>59,370</u>	<u>61,688</u>	<u>(2,318)</u>
Total expenses	<u>198,050</u>	<u>200,704</u>	<u>(2,654)</u>
Operating income	<u>20,391</u>	<u>19,114</u>	<u>1,277</u>
Nonoperating revenues (expenses)			
Interest income	16,809	8,754	8,055
Property taxes	36,880	34,992	1,888
Gain on sale of fixed assets	14,579	-	14,579
Other revenue	8,150	6,155	1,995
Interest expense	<u>(32,281)</u>	<u>(34,019)</u>	<u>1,738</u>
Total nonoperating revenues (expenses)	<u>44,137</u>	<u>15,882</u>	<u>28,255</u>
Increase in net assets	<u>64,528</u>	<u>34,996</u>	<u>\$29,532</u>
Net assets at beginning of year	<u>929,172</u>	<u>894,176</u>	
Net assets at end of year	<u>\$993,700</u>	<u>\$929,172</u>	

**Copperton Improvement District**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2005**

---

**TABLE A-2 (continued)**

	Year Ended December 31, 2004	Year Ended December 31, 2003	Change
Operating revenues			
Water charges	\$219,818	\$226,495	\$(6,677)
Operating expenses			
Wages and benefits	72,401	76,072	(3,671)
Repairs and maintenance	10,447	5,510	4,937
Professional services	25,416	33,652	(8,236)
Utilities and telephone	13,591	29,920	(16,329)
Insurance	11,385	5,975	5,410
Supplies	2,867	1,644	1,223
Miscellaneous	2,909	4,902	(1,993)
Depreciation and amortization	61,688	62,033	(345)
Total expenses	200,704	219,708	19,004
Operating income	19,114	6,787	12,327
Nonoperating revenues (expenses)			
Interest income	8,754	8,647	107
Property taxes	34,992	42,186	(7,194)
Other revenue	6,155	5,398	757
Interest expense	(34,019)	(29,635)	(4,384)
Total nonoperating revenues (expenses)	15,882	26,596	(10,714)
Increase in net assets	34,996	33,383	\$1,613
Net assets at beginning of year	894,176	860,793	
Net assets at end of year	\$929,172	\$894,176	



**Copperton Improvement District  
Management's Discussion and Analysis (Unaudited)  
December 31, 2005**

---

**BUDGETARY HIGHLIGHTS**

During the year, the only budget adjustment was to increase property tax revenue by \$638. Budgeted expenses were not adjusted. Operating revenues were budgeted to be \$276,818. Monthly reports that monitor revenues and expenses are presented to the Board of Trustees. Actual revenues exceeded budgeted revenues by \$18,041.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2005, there was \$2,320,584 invested in capital assets, as shown in Table A-3. This amount decreased by \$39,397 over the prior year primarily due to the sale of some equipment.

**TABLE A-3  
Capital Assets at Cost**

	December 31, 2005	December 31, 2004
Land improvements	\$ 11,537	\$ 11,537
Buildings	144,745	144,745
Wells, pumps and water lines	1,827,607	1,827,607
Tanks and reservoirs	272,636	272,636
Machinery and equipment	64,059	103,456
	<u>\$2,320,584</u>	<u>\$2,359,981</u>
	December 31, 2004	December 31, 2003
Land improvements	\$ 11,537	\$ 11,537
Buildings	144,745	144,745
Wells, pumps and water lines	1,827,607	1,805,567
Tanks and reservoirs	272,636	272,636
Machinery and equipment	103,456	101,780
	<u>\$2,359,981</u>	<u>\$2,336,265</u>

Additional information on the District's capital assets can be found in Note E on pages 18 and 19 of this report.

**Debt**

During 2002, the District issued \$1,288,310 in Water revenue bonds to finance the replacement of existing water lines that were over fifty years old. The bonds have an outstanding balance at December 31, 2005 of \$1,164,310.

**Copperton Improvement District  
Management's Discussion and Analysis (Unaudited)  
December 31, 2005**

---

The following summarizes the long-term debt activity for the District for fiscal year 2005.

**TABLE A-4  
Long-Term Debt Outstanding**

	Balance at December 31, 2005	Balance at December 31, 2004	Change
2002 Revenue bonds	<u>\$1,164,310</u>	<u>\$1,227,310</u>	<u>\$(63,000)</u>

	Balance at December 31, 2004	Balance at December 31, 2003	Change
2002 Revenue bonds	<u>\$1,227,310</u>	<u>\$1,288,310</u>	<u>\$(61,000)</u>

The District has never received a bond rating.

Additional information on the District's Long-Term Debt can be found in Note F on pages 19 and 20 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S OPERATIONS**

Many operational issues are affecting the District. The primary issue is the completion of Phase 2 of the capital facilities plan. It has been delayed while the District considers some different alternatives, including negotiations for a second source of water.

In addition, the District's only full time employee resigned and the District has elected to contract this position out with approximately a 50% savings. A full time position is not considered necessary because the upgrades to the water system will result in less maintenance and service requirements.

The fiscal year 2006 budget reflects an increase from the fiscal year 2005 budget in the amount of \$12,490. The increase represents two factors, increased interest income and a slight increase in property taxes.

**CONTACTING THE DISTRICT'S FINANCIAL MANGEMENT**

This report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District's Finance Director at 13768 S 4170 W, Riverton Utah 84006, by phone at (801) 580-6327.

**BASIC FINANCIAL STATEMENTS**

**Copperton Improvement District**  
**Statements of Net Assets**  
**December 31,**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 126,580	\$ 109,321
Accounts receivable (no allowance for doubtful accounts considered necessary)	22,005	23,929
Property taxes receivable	606	-
Total current assets	<u>149,191</u>	<u>133,250</u>
Noncurrent assets:		
Restricted cash and cash equivalents	451,615	419,763
Depreciable capital assets, net of accumulated depreciation	1,555,467	1,620,806
Debt issue costs, net	26,367	27,100
Total noncurrent assets	<u>2,033,449</u>	<u>2,067,669</u>
Total assets	<u>\$ 2,182,640</u>	<u>\$ 2,200,919</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 4,955	\$ 21,012
Accrued liabilities	2,790	5,794
Current liabilities payable from restricted assets		
Accounts payable and accrued liabilities	16,885	17,631
Current portion, revenue bonds payable	64,000	63,000
Total current liabilities	<u>88,630</u>	<u>107,437</u>
Noncurrent liabilities		
Revenue bonds payable	1,100,310	1,164,310
Total noncurrent liabilities	<u>1,100,310</u>	<u>1,164,310</u>
Total liabilities	<u>1,188,940</u>	<u>1,271,747</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	391,157	393,496
Restricted for debt service and replacement	156,400	118,621
Unrestricted (deficit)	446,143	417,055
Total net assets	<u>993,700</u>	<u>929,172</u>
Total liabilities and net assets	<u>\$ 2,182,640</u>	<u>\$ 2,200,919</u>

See accompanying notes to the basic financial statements.

**Copperton Improvement District**  
**Statements of Activities and Changes in Net Assets**  
**For the years ended December 31,**

	<u>2005</u>	<u>2004</u>
Operating revenues (pledged as security for revenue bonds)		
Water charges	<u>\$ 218,441</u>	<u>\$ 219,818</u>
Operating expenses		
Wages and benefits	34,351	72,401
Repairs and maintenance	5,161	10,447
Professional services	64,146	25,416
Utilities and telephone	17,261	13,591
Insurance	11,783	11,385
Supplies	2,789	2,867
Miscellaneous	3,189	2,909
Depreciation and amortization	<u>59,370</u>	<u>61,688</u>
Total operating expenses	<u>198,050</u>	<u>200,704</u>
Operating income	<u>20,391</u>	<u>19,114</u>
Nonoperating revenues (expenses)		
Interest income	16,809	8,754
Property taxes	36,880	34,992
Gain on sale of capital assets	14,579	-
Other revenue	8,150	6,155
Interest expense	<u>(32,281)</u>	<u>(34,019)</u>
Total nonoperating revenues (expenses)	<u>44,137</u>	<u>15,882</u>
Increase in net assets	64,528	34,996
Net assets at beginning of year	<u>929,172</u>	<u>894,176</u>
Net assets at end of year	<u><u>\$ 993,700</u></u>	<u><u>\$ 929,172</u></u>

See accompanying notes to the basic financial statements.

**Copperton Improvement District**  
**Statements of Cash Flows**  
**For the years ended December 31,**

	2005	2004
Cash flows from operating activities		
Receipts from customers	\$ 220,365	\$ 217,342
Payments to suppliers	(120,387)	(49,951)
Payments to employees	(35,753)	(69,707)
Other receipts	6,550	6,155
Net cash provided by operating activities	70,775	103,839
Cash flows from noncapital financing activities		
Property taxes collected	36,274	43,623
Net cash provided by noncapital financing activities	36,274	43,623
Cash flows from capital and related financing activities		
Purchase of capital assets	-	(23,716)
Payments from restricted assets to suppliers	-	(46,783)
Issuance of long-term obligations	-	-
Principal paid on long-term obligations	(63,000)	(61,000)
Interest paid on long-term obligations	(33,027)	(34,750)
Net cash used by capital and related financing activities	(96,027)	(166,249)
Cash flows from investing activities		
Interest income collected	16,809	8,754
Proceeds from sale of capital assets	21,280	-
Net cash provided by investing activities	38,089	8,754
Net increase (decrease) in cash and cash equivalents	49,111	(10,033)
Cash and cash equivalents at beginning of year	529,084	539,117
Cash and cash equivalents at end of year	\$ 578,195	\$ 529,084
Cash and cash equivalents consists of :		
Unrestricted cash and cash equivalents	\$ 126,580	\$ 109,321
Restricted cash and cash equivalents	451,615	419,763
	\$ 578,195	\$ 529,084
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 20,391	\$ 19,114
Adjustments to reconcile operating income to net cash used in operating activities		
Depreciation and amortization	59,370	61,688
Changes in assets and liabilities		
Receivables	1,924	(2,476)
Accounts payable	(16,057)	16,664
Accrued liabilities	(1,403)	2,694
Deposits & other receipts	6,550	6,155
Net cash provided by operating activities	\$ 70,775	\$ 103,839

See accompanying notes to the basic financial statements.

**Copperton Improvement District**  
**Notes to the Basic Financial Statements**  
**December 31, 2005 and 2004**

---

**NOTE A - SUMMARY OF ACCOUNTING POLICIES**

Copperton Improvement District (the District) was established under the laws of the State of Utah in 1956 by resolution of the Board of County Commissioners of Salt Lake County, Utah (the County). The District operates under the direction of an elected Board of Trustees. The purpose of the District is to acquire and operate a system for the distribution of culinary water to the Copperton, Utah area.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District has the option to apply FASB pronouncements issued after that date, the District has chosen not to do so. The more significant accounting policies established in GAAP and used by the District are discussed below.

Reporting entity

The County does not impose will or have a financial benefit, burden or dependency relationship with the District and therefore, the District is not considered a component unit of the County. There are no entities that are component units of the District.

Basic Financial Statements and Basis of Accounting

The District is a government entity accounted for as an enterprise fund and categorized as a business-type activity. Operations are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The records of the District are maintained on the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. Nonoperating revenues and expenses are those related to capital and related financing, noncapital financing, or investing activities.

**Copperton Improvement District**  
**Notes to the Basic Financial Statements**  
**December 31, 2005 and 2004**

---

**NOTE A – SUMMARY OF ACCOUNTING POLICIES - CONTINUED**

**Budgetary Data**

On an annual basis, the District prepares a tentative budget which is adopted on or before the first regularly scheduled meeting of the board of trustees in December. A public hearing is scheduled for the meeting in December. The final budget is adopted by resolution at the board meeting in December, following the public hearing.

The budget is adopted on a basis consistent with GAAP with the following exceptions:

- Bond principal retired is budgeted as nonoperating expenditures.
- Proceeds from issuing long-term debt are budgeted as other sources.

**Cash and Investments**

For purposes of the statements of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Capital assets**

Capital assets are defined by the District as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of 5 years. The District records its capital assets at cost. Contributed capital assets are valued at their estimated fair market value on the date of contribution. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Maintenance and repairs are charged to current period operating expenses, whereas additions and improvements are capitalized.

Depreciation of property and equipment has been provided using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	15-40
Wells, pumps and water lines	15-34
Tanks and reservoirs	10-40
Machinery and equipment	5-10

**Bond issue costs**

Bond issue costs are recorded as an asset and amortized over the life of the related bonds. Amortization is computed on the straight-line method, which approximates the effective interest method.



**Copperton Improvement District**  
**Notes to the Basic Financial Statements**  
**December 31, 2005 and 2004**

---

**NOTE A – SUMMARY OF ACCOUNTING POLICIES - CONTINUED**

Property taxes

On or before June 22 of each year, the District sets the property tax rate. If the District intends to adopt a tax rate higher than the certified tax rate, state law requires the District to provide public notice to property owners and hold public hearings. When these special public hearings are necessary, the adoption of the final budget is made subsequent to June 22. All property taxes levied by the District are assessed and collected by Salt Lake County. Taxes are levied as of January 1 and are due November 30; any delinquent taxes are subject to a penalty. Unless the delinquent taxes and penalties are paid before January 15, a lien is attached to the property, and the amount of taxes and penalties bears interest from January 1 until paid. If after five years, delinquent taxes have not been paid, the County sells the property at a tax sale. Tax collections are remitted to the District from the County on a monthly basis.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE B – DEPOSITS AND INVESTMENTS**

The District's deposits and investing are governed by the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7) and rules of the State of Utah Money Management Council.

**Custodial Credit Risk – Deposits**

The custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The Money Management Act requires deposits be in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. The deposits for the District at December 31, 2005 were \$8,203, none of which was exposed to custodial credit risk as uninsured and uncollateralized.

**Investments**

The Money Management Act defines the types of securities authorized as appropriate investments and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of investment securities.

**Copperton Improvement District**  
**Notes to the Basic Financial Statements**  
**December 31, 2005 and 2004**

---

**NOTE B – DEPOSITS AND INVESTMENTS – CONTINUED**

The Act authorizes investments in both negotiable and nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and Student Loan Marketing Association (Sallie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rate "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; and shares or certificates in a money market mutual fund as defined in the Act.

The District's investments at December 31, 2005 are presented below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Debt Securities					
Utah Public Treasurer's Investment Fund	\$569,992	\$569,992	\$ -	\$ -	\$ -

**Interest Rate Risk – Investments**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

The District's policy for managing interest rate risk is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

**Copperton Improvement District**  
**Notes to the Basic Financial Statements**  
**December 31, 2005 and 2004**

---

**NOTE B – DEPOSITS AND INVESTMENTS – CONTINUED**

**Credit Risk of Debt Securities**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District follows the Money Management Act as previously discussed as its policy for reducing exposure to investment credit risk. The District's rated debt investments are presented below:

<b><u>Rated Debt Investments</u></b>	<b><u>Fair Value</u></b>	<b><u>Quality Ratings</u></b>			
		<b><u>AAA</u></b>	<b><u>AA</u></b>	<b><u>A</u></b>	<b><u>Unrated</u></b>
Debt Securities					
Utah Public Treasurer's Investment Fund	\$569,992	\$ -	\$ -	\$ -	\$569,992

**Custodial Credit Risk – Investments**

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk.

All of the District's investments at December 31, 2005 were with the Utah Public Treasurer's Investment Fund and therefore are not categorized as to custodial credit risk. Additional information regarding the Utah Public Treasurer's Investment Fund is available at Note C.

**Concentration of Credit Risk – Investments**

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer.

The District's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the portfolio. The Money Management Council limitations do not apply to securities issued by the U.S. government and its agencies.

All of the District's investments at December 31, 2005, were with the Utah Public Treasurer's Investment Fund and therefore are not categorized as to concentration of credit risk. Additional information regarding the Utah Public Treasurer's Investment Fund is available at Note C.

**NOTE C – EXTERNAL INVESTMENT POOL**

The District invests in the Public Treasurer's Investment Fund (PTIF) which is an external investment pool administered by Utah State Public Treasurer. State agencies, municipalities, counties, and local governments within the State of Utah are allowed to invest in the PTIF. There is no required participation and no minimum balance or minimum/maximum transaction requirements.

**Copperton Improvement District**  
**Notes to the Basic Financial Statements**  
**December 31, 2005 and 2004**

---

**NOTE C – EXTERNAL INVESTMENT POOL – CONTINUED**

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Chapter 51-7, Utah Code Annotated, 1953, as amended. The Act establishes the Money Management Council which oversees the activities of the State Treasurer and the PTIF. The Act details the investments that are authorized which are high-grade securities and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah and participants share proportionally in any realized gains or losses on investments.

The PTIF allocates income and issues statements on a monthly basis. The PTIF operates and reports to participants on an amortized cost basis. The participants' balance is their investment deposited in the PTIF plus their share of income, gains and losses, net of administration fees, which are allocated to each participant on the ratio of each participant's share to the total funds in the PTIF.

Twice a year, at June 30 and December 31, the investments are valued at fair value to enable participants to adjust their investments in this pool at fair value. The Bank of New York and the State of Utah separately determine each security's fair value in accordance with GASB 31 (i.e. for almost all pool investments the quoted market price) and then compare those values to come up with an agreed upon fair value of the securities.

As of December 31, 2005, the District had \$569,992 invested in the PTIF which had a fair value of \$569,743 for an unrealized loss of \$249. Due to the insignificance of this amount, the fair value of the investments in this external investment pool is deemed to be the amortized cost of the investment. The table below shows statistical information about the investment pool:

<u>Investment Type</u>	<u>Investment Percentage</u>
Corporate bonds and notes	58.18%
Money market agreements and Certificates of deposit	6.33%
Commercial paper	3.51%
U.S. Government securities	31.98%
	<u>100.00%</u>

**Copperton Improvement District**  
**Notes to the Basic Financial Statements**  
**December 31, 2005 and 2004**

**NOTE D – RESTRICTED CASH AND CASH EQUIVALENTS**

Cash and cash equivalents have been restricted for the following purposes and amounts as required by the provisions of the District's various bond resolutions:

	2005	2004
Revenue bonds		
Construction project reserve accounts	\$ 295,215	\$ 301,142
Capital facilities replacement account	3,092	1,023
Bond account	104,117	91,145
Reserve accounts	49,191	26,453
	<u>\$ 451,615</u>	<u>\$ 419,763</u>

**NOTE E – CAPITAL ASSETS**

Capital asset activity is summarized as follows:

	January 1, 2005	Increases	Decreases	December 31, 2005
Depreciable capital assets:				
Land improvements	\$ 11,537	\$ -	\$ -	\$ 11,537
Buildings	144,745	-	-	144,745
Wells, pumps and water lines	1,827,607	-	-	1,827,607
Tanks and reservoirs	272,636	-	-	272,636
Machinery and equipment	103,456	-	(39,397)	64,059
Total depreciable capital assets at historical cost	<u>2,359,981</u>	<u>-</u>	<u>(39,397)</u>	<u>2,320,584</u>
Less accumulated depreciation for:				
Land improvements	11,537	-	-	11,537
Buildings	88,381	135	-	88,516
Wells, pumps and water lines	364,340	45,849	-	410,189
Tanks and reservoirs	189,140	8,231	-	197,371
Machinery and equipment	85,777	4,422	(32,695)	57,504
Total accumulated depreciation	<u>739,175</u>	<u>58,637</u>	<u>(32,695)</u>	<u>765,117</u>
Depreciable capital assets, net	<u>\$1,620,806</u>	<u>\$(58,637)</u>	<u>\$ (6,702)</u>	<u>\$1,555,467</u>

**Copperton Improvement District**  
**Notes to the Basic Financial Statements**  
**December 31, 2005 and 2004**

**NOTE E – CAPITAL ASSETS – CONTINUED**

	January 1, 2004	Increases	Decreases	December 31, 2004
<b>Depreciable capital assets:</b>				
Land improvements	\$ 11,537	\$ -	\$ -	\$ 11,537
Buildings	144,745	-	-	144,745
Wells, pumps and water lines	1,805,567	22,040	-	1,827,607
Tanks and reservoirs	272,636	-	-	272,636
Machinery and equipment	101,780	1,676	-	103,456
Total depreciable capital assets at historical cost	2,336,265	23,716	-	2,359,981
<b>Less accumulated depreciation for:</b>				
Land improvements	11,537	-	-	11,537
Buildings	88,246	135	-	88,381
Wells, pumps and water lines	318,491	45,849	-	364,340
Tanks and reservoirs	180,000	9,140	-	189,140
Machinery and equipment	79,946	5,831	-	85,777
Total accumulated depreciation	678,220	60,955	-	739,175
Depreciable capital assets, net	<u>\$1,658,045</u>	<u>\$(37,239)</u>	<u>\$ -</u>	<u>\$1,620,806</u>

**NOTE F – LONG-TERM OBLIGATIONS**

All long-term obligations other than compensated absences issued by the District have provided funds for the acquisition and construction of major capital facilities.

Long-term obligations consist of the following:

	2005	2004
2002 Water revenues bonds – Series A and B		
\$1,288,310 water revenue bonds due serially through 2023 with interest rates ranging from 1.96% to 3.37%	\$ 1,164,310	\$ 1,227,310
Less current maturities	64,000	63,000
	<u>\$ 1,100,310</u>	<u>\$ 1,164,310</u>

All outstanding revenue bonds are secured by a first lien on net revenues earned by the District. Net revenues are defined in the bond agreements. The District is required to establish user fees and rates that will yield net revenues equal to at least 1.25 times revenue bond debt service requirements.

**Copperton Improvement District**  
**Notes to the Basic Financial Statements**  
**December 31, 2005 and 2004**

**NOTE F – LONG-TERM OBLIGATIONS – CONTINUED**

The following summarizes the debt service coverage calculations for the bonds:

Net revenues	
Operating revenues	\$218,441
Operating expenses (excluding depreciation and amortization)	(138,680)
Property taxes	36,880
Other revenue	8,150
Interest income	16,809
Net revenues	<u>\$141,600</u>
Annual debt service for 2005	<u>\$ 96,027</u>
Ratio of net revenues to annual debt service	<u>1.47</u>
Minimum ratio	<u>1.25</u>

The following is a summary of changes in long-term obligations:

	Balance January 1, 2005	Additions	Deletions	Balance December 31, 2005	Amounts Due Within One Year
Revenue bonds payable	<u>\$1,227,310</u>	<u>\$ -</u>	<u>\$63,000</u>	<u>\$1,164,310</u>	<u>\$64,000</u>

  

	Balance January 1, 2004	Additions	Deletions	Balance December 31, 2004	Amounts Due Within One Year
Revenue bonds payable	<u>\$1,288,310</u>	<u>\$ -</u>	<u>\$61,000</u>	<u>\$1,227,310</u>	<u>\$63,000</u>

The annual debt service requirements to maturity, including principal and interest, for the revenues bonds as of December 31, 2005, are as follows:

Year Ending December 31,	Principal	Interest	Total Debt service
2006	\$ 64,000	\$ 40,523	\$ 104,523
2007	67,000	38,646	105,646
2008	69,000	36,716	105,716
2009	70,000	34,752	104,752
2010	73,000	32,700	105,700
2011-2015	394,000	130,809	524,809
2016-2020	427,310	70,009	497,319
	<u>\$ 1,164,310</u>	<u>\$ 384,155</u>	<u>\$ 1,548,465</u>

**Copperton Improvement District**  
**Notes to the Basic Financial Statements**  
**December 31, 2005 and 2004**

---

**NOTE G – COMPENSATED ABSENCES**

Employees of the District are granted vacation and sick leave in varying amounts. The District has no liability for unused vacation or sick pay since all leave is used or lost if not taken each year. Vacation and sick pay is charged to operations when taken by the employees of the District.

**NOTE H - RETIREMENT PLANS**

Plan Description - The District contributes to the Local Governmental Contributory Retirement System cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy - Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong. At December 31, 2005 the required contribution was 11.09% to the Local Governmental Noncontributory Retirement System. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The District contributions to the Local Governmental Noncontributory Retirement System for the years ended December 31, 2005, 2004, and 2003, were \$877, \$4,260, and \$4,368 respectively. The contributions were equal to the required contributions for each year.

**NOTE I - DEFERRED COMPENSATION PLAN**

Effective in 2000, the District also sponsors a deferred compensation plan under Internal Revenue Code Section 401(k) for District employees. The Utah State Retirement Systems administers this Plan. The District's total payroll for the year ended December 31, 2005 was \$25,702. Of that amount, \$7,912 was eligible to participate in this Plan. The District participates at a rate of 6.2% of base payroll. This rate was established and can be changed by the Board of Trustees of the District. During the year ended December 31, 2005, employees did not contribute and the District contributed \$491. All contributions were made by the due dates. The 401(k) deferred compensation monies are not available to the District or its general creditors. Therefore, no assets or liabilities of the 401(k) deferred compensation plan are reflected in these financial statements.



**Copperton Improvement District**  
**Notes to the Basic Financial Statements**  
**December 31, 2005 and 2004**

---

**NOTE J - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all of these risks of loss, except natural disasters other than earthquakes. There were no changes in coverage during 2005. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Expenses and claims not covered by insurance are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

District management estimates that the amount of actual or potential claims against the District as of December 31, 2005 will not materially affect the financial condition of the District.

**NOTE K - CONTINGENCIES**

The District has litigation arising from the normal course of business. In management's opinion, the outcome of any such litigation will not materially affect the District's financial condition. Nevertheless, due to uncertainties in the settlement process, it is at least reasonably possible that management's view of the outcome could change materially in the near term.

REPORTS ON INTERNAL CONTROL, COMPLIANCE  
AND OTHER MATTERS

**OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants**

4527 SOUTH 2300 EAST, SUITE 201 • SALT LAKE CITY, UTAH 84117-4446 • PHONE: 308-0220 • FAX: 274-8589

REPORT OF INDEPENDENT CERTIFIED PUBLIC  
ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees  
Copperton Improvement District

We have audited the accompanying basic financial statements of Copperton Improvement District (the District), as of and for the year ended December 31, 2005, and have issued our report thereon dated June 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the organization, the board of trustees, and the Utah State Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties.

*Osborne Robbins & Buhler PLLC*

June 1, 2006

**OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants**

4527 SOUTH 2300 EAST, SUITE 201 • SALT LAKE CITY, UTAH 84117-4446 • PHONE: 308-0220 • FAX: 274-8589

REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS  
ON STATE LEGAL COMPLIANCE IN ACCORDANCE  
WITH STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE

Board of Trustees  
Copperton Improvement District

We have audited the accompanying financial statements of Copperton Improvement District (the District) for the year ended December 31, 2005, and have issued our report thereon dated June 1, 2006. Our audit included testwork on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Truth in Taxation and Property Tax Limitations
- Special Districts
- Other General Issues
- Impact Fees and Other Development Fees

The District did not receive any major or nonmajor State grants during the year ended December 31, 2005.

The management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures no instances of noncompliance with requirements referred to above.

In our opinion, the District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2005.

This report is intended solely for the information of management, others within the organization, the board of trustees, and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

*Osborne Robbins & Buhler PLLC*

June 1, 2006

**BOND RESOLUTION COMPLIANCE SCHEDULES AND REPORTS**

**OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants**

4527 SOUTH 2300 EAST, SUITE 201 • SALT LAKE CITY, UTAH 84117-4446 • PHONE: 308-0220 • FAX: 274-8589

**REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS  
ON COMPLIANCE WITH  
BOND RESOLUTION**

Board of Trustees  
Copperton Improvement District

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Copperton Improvement District (the District) as of and for the year ended December 31, 2005 and have issued our report thereon dated June 1, 2006.

In connection with our audit, nothing came to our attention that caused us to believe that the District had failed to comply with the terms, covenants, provisions, or conditions of Article 5 of the District's Bond Resolution dated May 15, 2002 providing for the issuance of Water Revenue Bonds. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of management and the Board of Trustees of Copperton Improvement District and the State of Utah, as bond trustee, and is not intended to be and should not be used by anyone other than these specified parties.

*Osborne Robbins & Buhler PLLC*

June 1, 2006

**OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants**

4527 SOUTH 2300 EAST, SUITE 201 • SALT LAKE CITY, UTAH 84117-4446 • PHONE: 308-0220 • FAX: 274-8589

**REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS  
ON SCHEDULE OF NET REVENUES AND  
ANNUAL DEBT SERVICE**

Board of Trustees  
Copperton Improvement District

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Copperton Improvement District (the District) as of and for the year ended December 31, 2005, and have issued our report thereon which appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of net revenues and annual debt service is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In connection with our audit, nothing came to our attention that caused us to believe that the District had failed to comply with the terms, covenants, provisions, or conditions of Article 5.1 (as the terms, "net revenues" and "annual debt service" are defined in the Bond Resolution) of the Bond Resolution dated May 15, 2002 providing for the Issuance of Water Revenue Bonds. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of management and the Board of Trustees of Copperton Improvement District and the State of Utah as bond trustee, and is not intended to be and should not be used by anyone other than these specified parties.

*Osborne Robbins & Buhler PLLC*

June 1, 2006

# Copperton Improvement District

## SCHEDULE OF NET REVENUES AND ANNUAL DEBT SERVICE

Year ended December 31, 2005

Net revenues	
Operating revenues	\$218,441
Operating expenses (excluding depreciation and amortization)	(138,680)
Impact fees	-
Property taxes	36,880
Other revenue	8,150
Interest income	<u>16,809</u>
Net revenues	<u>\$141,600</u>
Annual debt service for 2005*	<u>\$ 96,027</u>
Ratio of net revenues to annual debt service	<u>1.47</u>
Minimum ratio	<u>1.25</u>

\*Annual debt service includes only debt service on revenue bonds which are secured by revenues of the District. Annual debt service for 2005 related to the 2002 revenue bonds is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2002 Water Revenue Bonds Series A and B	<u>\$63,000</u>	<u>\$33,027</u>	<u>\$96,027</u>



**OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants**

4527 SOUTH 2300 EAST, SUITE 201 • SALT LAKE CITY, UTAH 84117-4446 • PHONE: 308-0220 • FAX: 274-8589

**REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS  
ON SCHEDULE OF INSURANCE  
POLICIES IN FORCE**

Board of Trustees

Copperton Improvement District

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Copperton Improvement District (the District) as of December 31, 2005 and have issued our report thereon which appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of insurance policies in force at December 31, 2005 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In connection with our audit, nothing came to our attention that caused us to believe that the District had failed to comply with the terms, covenants, provisions, or conditions of Article 6.10 of the Bond Resolution dated May 15, 2002 providing for the Issuance of Water Revenue Bonds. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of management and the Board of Trustees of Copperton Improvement District and the State of Utah as bond trustee, and is not intended to be and should not be used by anyone other than these specified parties.

*Osborne Robbins & Buhler PLLC*

June 1, 2006

# Copperton Improvement District

## SCHEDULE OF INSURANCE POLICIES IN FORCE

December 31, 2005

Description	Issuer	Limit	Expiration Date
Comprehensive General Liability (including Public Officials Errors and Omissions)	Utah Local Governments Trust	\$ 5,000,000	Continuous
Auto Liability	Utah Local Governments Trust	5,000,000	Continuous
No-Fault Sewer Clean-up	Utah Local Governments Trust	2,500	Continuous
Property Coverage Building	Unigard Insurance Company	1,022,584	July 1, 2006
Contents	Unigard Insurance Company	176,099	July 1, 2006
Contractors Equipment	Unigard Insurance Company	16,000	July 1, 2006
Auto PD Coverage	Unigard Insurance Company	16,000	July 1, 2006
Public Official	Monson	25,000	January 7, 2006
Public Official	Monson	25,000	January 7, 2006
Special Bond Issue – Chairman	Monson	214,000	July 17, 2006
Special Bond Issue – Treasurer	Monson	214,000	July 17, 2006

**OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants**

4527 SOUTH 2300 EAST, SUITE 201 • SALT LAKE CITY, UTAH 84117-4446 • PHONE: 308-0220 • FAX: 274-8589

**REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS  
ON SCHEDULE OF WATER  
CONNECTIONS AND BILLINGS**

Board of Trustees  
Copperton Improvement District

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Copperton Improvement District as of and for the year ended December 31, 2005 and have issued our report which appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of water connections and billings as of December 31, 2005 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management and the Board of Trustees of Copperton Improvement District and The State of Utah as bond trustee, and is not intended to be and should not be used by anyone other than these specified parties.

*Osborne Robbins & Buhler PLLC*

June 1, 2006

Copperton Improvement District  
SCHEDULE OF WATER CONNECTIONS AND BILLINGS

December 31, 2005

<u>Number of Connections</u>	<u>Total Amount Billed Year ended December 31, 2005</u>
<u>320</u>	<u>\$218,441</u>

Applications for water service  
on hand at year end:

-

**OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants**

4527 SOUTH 2300 EAST, SUITE 201 • SALT LAKE CITY, UTAH 84117-4446 • PHONE: 308-0220 • FAX: 274-8589

**REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS  
ON SCHEDULE OF FUNDS REQUIRED  
BY BOND RESOLUTION**

Board of Trustees  
Copperton Improvement District

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Copperton Improvement District (the District) as of and for the year ended December 31, 2005 and have issued our report thereon which appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of funds required by bond resolution as of December 31, 2005 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In connection with our audit, nothing came to our attention that caused us to believe that the District had failed to comply with the terms, covenants, provisions, or conditions of Article 4.4 of the Bond Resolution dated May 15, 2002 providing for the issuance of Water Revenue Bonds. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of management and the Board of Trustees of Copperton Improvement District and the State of Utah as bond trustee, and is not intended to be and should not be used by anyone other than these specified parties.

*Osborne Robbins & Buhler PLLC*

June 1, 2006

## SCHEDULE OF FUNDS REQUIRED BY BOND RESOLUTION

December 31, 2005

	2002 Water Bonds - Series A and B						
	Project Account	Project Escrow Account	Series A Reserve Account	Series B Reserve Account	Series A and B Bond Fund Account	Series A and B Replacement Account	Total
Balance at January 1, 2005	\$301,142	\$ -	\$ 17,143	\$ 9,310	\$ 91,145	\$ 1,023	\$ 419,763
Investment income (loss) for the year	9,655	-	815	443	3,972	69	14,954
Additional funds deposited by the District	-	-	13,920	7,560	64,000	2,000	87,480
Additional funds deposited from loan proceeds	-	-	-	-	-	-	-
Funds disbursed/transferred by the trustee	(15,582)	-	-	-	(55,000)	-	(70,582)
Balance at December 31, 2005	\$295,215	\$ -	\$ 31,878	\$ 17,313	\$ 104,117	\$ 3,092	\$ 451,615

**OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants**

---

4527 SOUTH 2300 EAST, SUITE 201 • SALT LAKE CITY, UTAH 84117-4446 • PHONE: 308-0220 • FAX: 274-8589

To the Board of Trustees  
Copperton Improvement District

In connection with our audit of the financial statements of Copperton Improvement District (the District) as of December 31, 2005, we noted certain matters that we believe you should consider. Our observations were formed as a by-product of our audit procedures, which did not include a comprehensive review for the purpose of submitting detailed recommendations.

The accompanying comments summarize our comments and suggestions. We previously reported on compliance and internal control over financial reporting and have issued our report thereon dated June 1, 2006.

We have previously discussed our comments and suggestions with various District personnel and would be please to discuss them further.

*Osborne Robbins & Buhler PLLC*

June 1, 2006

## COMMENTS AND SUGGESTIONS



## OTHER COMMENTS AND OBSERVATIONS

### Deposits into a Capital Facilities Replacement Account

Section 5.1(s) of the District's Bond Covenants for the Series 2002 Bonds requires that the District deposit annually an amount equal to 5% of its annual operating budget for the system, including debt service and depreciation, in a Capital Facilities Replacement Account. The required deposits to the Facilities Replacement Account have been calculated in Schedule A.

Section 4.4(b)(i) of the District's Bond Covenants for the Series 2002 Bonds requires that the District deposit monthly an amount equal to 1/12 of the principal and interest due at August 1 to the end that there will be sufficient fund allocated to the Bond Account to pay principal and interest when it becomes due. The required deposits to the Bond Account have been calculated in Schedule B.

### SCHEDULE A

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>TOTAL</u>
Budgeted operating expenses including depreciation	\$ 210,296	\$232,500	\$215,500	\$ 658,296
Debt service	96,027	95,731	30,344	\$ 222,102
Total budgeted operating expenses and debt service	<u>306,323</u>	<u>328,231</u>	<u>245,844</u>	<u>\$ 880,398</u>
	5%	5%	5%	5%
Total required deposit to Capital Facilities Replacement Account	<u>\$ 15,316</u>	<u>\$ 16,412</u>	<u>\$ 12,292</u>	<u>\$ 44,020</u>
Balance December 31, 2005				<u>3,092</u>
Shortage of deposits in Facilities Replacement Account				<u>\$ (40,928)</u>

### SCHEDULE B

Principal and interest due Aug 1, 2006	\$ 104,523
1/12 principal and interest	8,710
Required deposits at December 31, 2005:	
Principal and interest August through December	<u>43,551</u>
Bond Fund balance, December 31, 2005	<u>104,117</u>
Excess balance in Bond Fund	<u>\$ 60,566</u>

As shown in the above schedules, the District has a deficiency of funds in the Facilities Replacement Account and an excess of funds in the Bond Fund. The reserves are adequate in total but are not allocated properly. We recommend that the District correct the allocation of funds between the Capital Facilities Account and Bond Fund.

**Response**

The District will correct the allocation of funds between the Facilities Replacement Account and the Bond Fund.

Maintenance Expenses for which the amounts theretofore allocated to the Expense Account are insufficient. At the end of each Sinking Fund Year all amounts in the Expense Account in excess of that required to pay Operation and Maintenance Expenses then due shall be transferred to the Sinking Fund established as hereinafter provided.

(b) All amounts in the Revenue Fund not allocated to the Expense Account shall be allocated to the Sinking Fund hereby establish:

(i) Of the amounts allocated to the Sinking Fund there shall be allocated the following amounts to a subaccount established on the books of the Issuer known as the "Bond Account" such amounts as will assure, to the extent of the availability of Net Revenues from the System, the prompt payment of the principal and interest, if any, on the Series 2002 Bonds as shall become due and all bonds or obligations issued in parity therewith. (A) The amount to be set aside with respect to the Series 2002A Bonds shall, as nearly as may be practicable, be set aside and allocated to the Bond Account monthly, on or before the tenth day of each month beginning on the tenth day of the month following the initial delivery of the Series 2002A Bonds, and shall equal  $1/12$  of the interest next falling due on the Series 2002A Bonds and  $1/12$  of the amount of the principal on the payment next due on the Series 2002A Bonds (in the case of the first Sinking Fund Year after issuing the Series 2002A Bonds, the fraction the numerator of which is one and the denominator is the number of months remaining prior to the first payment date), to the end that there will be sufficient funds allocated to the Bond Account to pay the principal and interest on the Series 2002A Bonds as and when the same become due. (B) The amount to be so set aside with respect to the Series 2002B Bonds shall, as nearly as may be practicable, be set aside and allocated to the Bond Account monthly, on or before the tenth day of each month, beginning on the tenth day of the month following delivery of the Series 2002B Bonds, and shall equal  $1/12$  of the amount of the interest next falling due on the Series 2002B Bonds and  $1/12$  of the amount of the principal on the payment next due on the Series 2002B Bonds (in the case of the first Sinking Fund Year after issuing the Series 2002B Bonds, the fraction, the numerator of which is one and the denominator is the number of months remaining prior to the first payment date), to the end that there will be sufficient funds allocated to the Bond Account to pay principal on the Series 2002B Bonds as and when the same become due. Amounts allocated to the Bond Account shall be used solely for the purpose of paying principal and interest, if any, on the Series 2002 Bonds and shall not be reallocated, transferred or paid out for any other purpose. (In the event insufficient moneys are available to make prompt payment of the full principal and interest on the Series 2002 Bonds as shall become due and all bonds and obligations issued in parity therewith, such moneys shall be allocated pro rata based on the amount of principal and interest then due and payable).

Section 148 of the Code and the regulations proposed or promulgated thereunder. The Issuer further represents and covenants that no bonds or other evidences of indebtedness of the Issuer have been or will be issued, sold or delivered within a period beginning 15 days prior to the sale of the Series 2002 Bonds and ending 15 days following the delivery of the Series 2002 Bonds thereunder, as the same presently exist, or may from time to time hereafter be amended, supplemented or revised. The Issuer has also covenanted to comply throughout the term of the Series 2002 Bonds with the requirements of Section 148 of the Code and the regulations proposed or promulgated thereunder. The Issuer further covenants and agrees to and for the benefit of the Registered Owners of the Series 2002 Bonds that the Issuer (i) will not take any action that would cause interest on the Series 2002 Bonds to become includible in gross income for purposes of federal income taxation, (ii) will not omit to take or cause to be taken, in timely manner, any action, which omission would cause the interest on the Series 2002 Bonds to become includible in gross income for purposes of federal income taxation and (iii) will, to the extent possible, comply with any other requirements of federal tax law applicable to the Series 2002 Bonds in order to preserve the exclusion from gross income for purposes of federal income taxation of interest on such Series 2002 Bonds.

(s) The Issuer shall establish a Capital Facilities Replacement Account (the "Replacement Account") to be held by the Issuer and shall annually deposit therein (prior to the end of each sinking fund year commencing with the Issuer's 2002 - 2003 sinking fund year) an amount equal to 5% of the Issuer's annual operating budget for the System, including debt service and depreciation and must continue said annual deposits until all of the Series 2002 Bonds are redeemed. The Replacement Account shall not serve as security for the payment of principal or interest on the Series 2002 Bonds. The Issuer shall limit the use of moneys on deposit in the Replacement Account to the construction of Capital Facilities (as herein defined) for its System. No disbursements shall be made from said Account unless and until the Issuer has given at least 30 days' advance written notice to the Drinking Water Board specifying the amount of the proposed disbursement and the purpose for which said disbursement will be made. The Issuer shall not, however, be required to obtain the consent of the Drinking Water Board prior to making any disbursement from said Account. For purposes of this Section 5.1(s), Capital Facilities means the replacement of obsolete equipment or facilities whose useful life has expired, extensions or additions to the Issuer's System, and other capital improvements necessary to keep the System in good operational condition.

(t) The Issuer agrees, in accepting the proceeds of the Series 2002 Bonds, to comply with all applicable state and federal regulations related to the Utah State Revolving Fund administered by the Drinking Water Board. These requirements include, but are not limited to, Title XIV of the Safe Drinking Water Act of 1996, OMB Circular A-133, the Utah Federal State Revolving Fund (SRF) Program (R309-351 of the Utah Administrative Code), the Utah Municipal Bond